

**DESOTO PARISH FIRE PROTECTION  
DISTRICT NO. 2  
Keatchie/Shiloh/Gloster, Louisiana**

**FINANCIAL STATEMENTS  
December 31, 2012**

**DESOTO PARISH FIRE PROTECTION DISTRICT NO.2**  
**Keatchie/Shiloh/Gloster, Louisiana**

**FINANCIAL STATEMENTS**  
**As of and for the Year Ended December 31, 2012**

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## **Independent Auditor's Report**

To the Board of Commissioners  
DeSoto Parish Fire Protection District No. 2  
Keatchie/Shiloh/Gloster, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 2, a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions

## Opinions

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 2 as of December 31, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed as required supplementary information (part I) in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fire District's basic financial statements. The budgetary comparison schedule listed as required supplementary information (part II) in the table of contents is presented for purposes of additional analysis, as required by the Governmental Accounting Standards Board, and is not a required part of the basic financial statements. The budgetary comparison statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2013, on my consideration of the DeSoto Parish Fire Protection District No. 2's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DeSoto Parish Fire Protection District No. 2's internal control over financial reporting and compliance.



Mansfield, Louisiana  
June 26, 2013

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2  
Keatchie/Shiloh/Gloster, Louisiana  
December 31, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the DeSoto Parish Fire Protection District No. 2 (Fire District), we offer the readers of the Fire District's financial statements this narrative overview and analysis of the financial activities of the DeSoto Parish Fire Protection District No. 2's as of and for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the Fire District's basic financial statements and supplementary information provided in the report in assessing the efficiency and effectiveness of our stewardship of public resources.

The Fire District was determined to be a component unit of the DeSoto Parish Policy Jury. The accompanying financial statements present information only on the funds maintained by the DeSoto Parish Fire Protection District No. 2.

**FINANCIAL HIGHLIGHTS**

DeSoto Parish Fire Protection District No. 2 experienced an increase in its total net position of \$532,085 or 30% during the year. At December 31, 2012, the assets of the Fire District exceeded its liabilities by \$2,311,538.

DeSoto Parish Fire Protection District No. 2's total revenues increased \$166,549 or 27.72% to \$767,302 in 2012 from \$600,753 in 2011.

DeSoto Parish Fire Protection District No. 2's governmental fund balance decreased \$150,257 or 16.54%.

**OVERVIEW OF FINANCIAL STATEMENTS**

This Management Discussion and Analysis document introduces the basic financial statements which include government-wide financial statements and fund financial statements. These two types of financial statements present the Fire District's financial position and results of operations from differing perspectives, which are described as follows:

**Government-Wide Financial Statement**

The government-wide financial statements report information about the Fire District as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Fire District's assets and all of its liabilities. All of the Fire District's activities are classified as governmental activities in the government-wide financial statements. The governmental activities are financed primarily by property taxes, assessed parcel fees and intergovernmental revenues that include fire insurance rebates, state revenue sharing and grants.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2  
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**Fund Financial Statements**

Fund financial statements provide detailed information regarding the Fire District's most significant activities and are not intended to provide information for the Fire District as a whole. Funds are accounting devices that are used to account for specific sources of funds. All of the Fire District's funds are limited to its general fund, which is classified as a Governmental Fund. This fund is used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental fund uses a modified accrual basis of accounting that provides a short-term view of the Fire District's finances. Assets reported by the governmental fund are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

**Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Fire District adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**  
**December 31, 2012**

**FINANCIAL ANALYSIS OF THE FIRE DISTRICT AS A WHOLE**

The comparison of net position from year to year serves to measure a government's financial position. As of December 31, 2012, the Fire District's assets exceed its liabilities by \$2,311,538 (net position).

At December 31, 2012, \$1,435,034 or 62% of the Fire District's net position reflect investments in capital assets with a historical cost of \$2,001,409 less accumulated depreciation of \$546,375 and related debt of \$20,000. The Fire District had a decrease in restricted assets of \$63,838. This restriction was due to a sinking fund requirement of a bond covenant, and the bonds were paid off in 2012. Unrestricted net position of \$876,504 or 37.92% of total net position as of December 31, 2012 may be used to meet the ongoing obligations to the citizens of DeSoto Parish Fire Protection District No. 2.

Cash and cash equivalents, including restricted cash, decreased \$251,953 (70.73%) from \$391,900 in 2011 to \$139,947 at December 31, 2012.

Accounts receivables, consisting of 95.48% property taxes and 4.2% parcel fees, increased \$138,155 or 23.8% over 2011.

A Summary of Statement of Net Position is as follows:

	Governmental Activities	
	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 139,947	\$ 328,062
Restricted cash	-	63,838
Accounts receivable	718,685	580,530
Prepaid insurance	22,710	5,482
Capital assets, net of accumulated depreciation	1,455,034	895,191
Total assets	\$ 2,336,376	\$ 1,873,103
<b>LIABILITIES</b>		
Current liabilities	\$ 14,838	\$ 70,968
Noncurrent liabilities	10,000	22,682
Total liabilities	\$ 24,838	\$ 93,650
<b>NET POSITION</b>		
Net investment in capital assets	\$ 1,435,034	\$ 808,509
Restricted for debt service	-	63,838
Unrestricted	876,504	907,106
Total net position	\$ 2,311,538	\$ 1,779,453

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
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**December 31, 2012**

The following schedule compares revenues and expenses for the current and previous year. Total revenues increased by \$166,549 or 27.72 percent from last year. 95.10% of the Fire District's total revenues come from property taxes (ad valorem taxes), 1.36 percent from other state sources, 3.21% percent from parcel fees, and 0.33% from other revenue, which consist of oil and gas royalties and interest income. Total expenses increased \$64,042 or 27.72 percent over the prior year.

Ad valorem tax revenue for the Fire District increased by \$175,703, or 31.72%, reflecting an increase in the property tax revenue.

Depreciation expense made up 44.61% of total expenses for December 31, 2012 compared to 57.54% of total expenses in 2011.

A Summary of Statement of Activities is as follows:

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Program Revenues:		
Charges for services- Parcel fees	\$ 24,632	\$ 15,847
Contributions	-	-
General Revenues:		
Ad valorem taxes	729,681	553,978
Intergovernmental revenues	10,424	11,920
Interest income	1,219	1,879
Gain on sale of asset	-	2,957
Other revenue	1,346	14,173
Total revenues	<u>767,302</u>	<u>600,753</u>
Expenses		
Public safety	235,217	167,327
Interest on debt	-	3,848
Total expenses	<u>235,217</u>	<u>171,175</u>
Increases in net position	<u>532,085</u>	<u>429,578</u>
Net Position, beginning	<u>1,779,453</u>	<u>1,349,875</u>
Net Position, ending	<u>\$ 2,311,538</u>	<u>\$ 1,779,453</u>

#### **FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S GOVERNMENT FUNDS**

For the year ended December 31, 2012, differences between the government-wide presentation and the fund financial statements were due to acquisition of capital outlays, depreciation changes associated with capital assets, prepaid insurance, and deferred property tax and parcel fee revenues.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Fire District adopted a budget for its General Fund for the year ended December 31, 2012. The budget was not amended during the year. Total budgeted revenues did not exceed actual revenues by more than 5%. Total actual expenditures were \$238,971 less than the final budget.

#### **DEBT ADMINISTRATION**

DeSoto Parish Fire Protection District No. 2's debt decreased by \$68,812. This reflects payments on certificates of indebtedness for the purchase of a new pumper truck in 2009.

DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2  
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**CAPITAL ASSETS**

The Fire District acquired \$664,768 in capital assets in 2012. This amount included the construction of a new station in Keatchie, a new first responder vehicle, conversion of communications equipment to digital requirements, a refrigerator, and new flooring in the Gloster Station.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The primary revenue source for the Fire District is property taxes. This tax is not subject to changes in the economy, in the short-term. However, in the long-term, the ability to sustain this income could affect the Fire District's revenue. The budget for year 2013 should not change significantly from the year 2012 budget.

**CONTACTING THE FIRE DISTRICT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the finances for those funds maintained by the DeSoto Parish Fire Protection District No. 2 and to show the Fire District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathy Tucker, Clerk, at P. O. Box 249, Keatchie, Louisiana, 71046.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**

**STATEMENT OF NET POSITION**  
December 31, 2012

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 139,947
Accounts receivable	718,685
Prepaid expenses	22,710
Capital assets, net of depreciation	<u>1,455,034</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,336,376</u></b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 4,838
Certificate of indebtedness, due within one year	<u>10,000</u>
Total current liabilities	14,838
Long-term liabilities:	
Certificate of indebtedness	<u>10,000</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>24,838</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 1,435,034
Unrestricted	<u>876,504</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u><u>2,311,538</u></u></b>

The accompanying notes are an integral part of the financial statements.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2012

Function/Program	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Public safety-fire	\$ 235,217	\$ 24,632	\$ -	\$ -	\$ (210,586)
Total Governmental Activities	<u>\$ 235,217</u>	<u>\$ 24,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (210,586)</u>
General Revenues:					
Ad valorem taxes					729,681
State revenue sharing					2,869
Interest earnings					1,219
Fire insurance rebate					7,555
Oil & gas royalties					<u>1,346</u>
Total General Revenues					<u>742,670</u>
					Change in Net Position
					532,085
					Net Position Beginning
					<u>1,779,453</u>
					Net Position Ending
					<u>\$ 2,311,538</u>

## FUND FINANCIAL STATEMENTS

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

## BALANCE SHEET, GOVERNMENTAL FUND

December 31, 2012

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 139,947
Accounts receivable	718,685
<b>TOTAL ASSETS</b>	<b>\$ 858,632</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 4,838
Total Liabilities	4,838
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable ad valorem taxes	95,571
Total Deferred Inflows of Resources	95,571
<b>Fund Balances:</b>	
Unassigned	758,223
Total Fund Balances	758,223
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$ 858,632</b>

The accompanying notes are an integral part of the financial statements.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**December 31, 2012**

Total Net Position reported for Governmental Activities in the Statement of Net Position are different because:

Fund Balances, Total Governmental Funds Statement C	\$ 758,223
Capital Assets used in governmental activities are not current financial resources and therefore, are not reported in the government funds	1,455,034
Prepaid expenses involve payment with current financial resources that are attributable to fiscal periods beyond the end of the current fiscal year	22,710
Deferred revenues are reported in the governmental funds but not in the Statement of Net Position	95,571
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore, are not reported in the governmental funds	(20,000)
Net Position of Governmental Activities, Statement A	\$ <u><u>2,311,538</u></u>

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
For the Year Ended December 31, 2012

	<u>General Fund</u>
<b>Revenues</b>	
Ad valorem taxes	\$ 691,093
Parcel fees	24,632
Intergovernmental revenue- state funds	
Fire insurance rebate	7,555
State revenue sharing	2,869
Oil & gas royalties	1,346
Interest income	1,219
<b>Total Revenues</b>	<u>728,714</u>
<b>Expenditures</b>	
<b>Current:</b>	
Public safety-fire	106,888
General government	40,634
Capital outlays	664,768
Debt service:	
Principal payments	66,682
<b>Total Expenditures</b>	<u>878,972</u>
<b>Net Change in Fund Balance</b>	(150,257)
<b>Fund balance, beginning of year</b>	<u>908,480</u>
<b>Fund balance, end of year</b>	<u>\$ 758,223</u>

The accompanying notes are an integral part of the financial statements.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2012

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Governmental Funds, Statement E	\$	(150,257)
Governmental funds report expenses that involve payments with current financial resources, such as insurance, in the year in which it is paid. In the Statement of Activities, payments that are attributable to current periods are recognized.		
Change in prepaid insurance		17,227
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital outlays (\$664,768) more than depreciation expense (\$104,925)		559,843
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Payments on capital leases		66,682
Because of the timing of actual receipt, some revenues are not considered "available" to pay current obligations and are not reported in the governmental funds.		
Change in unavailable ad valorem taxes		38,590
Change in Net Position of Governmental Activities, Statement B	\$	<u><u>532,085</u></u>

The accompanying notes are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2012

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#### INTRODUCTION

DeSoto Parish Fire Protection District No. 2 was created by the DeSoto Parish Police Jury, as authorized by Louisiana Revised Statute 40:1492 on February 10, 1993. The Fire District is governed by a five-member board appointed in accordance to LRS 40:1496 as follows: two members by the Police Jury, two members by the Town of Keatchie, and one, the chairman, by the other four members. Board members serve without compensation. The Fire District is responsible for maintaining and operating fire stations and equipment and providing fire protection to approximately 2,000 residents within the boundaries of the Fire District. The Fire District maintains and operates three stations within its boundaries. The Fire District is staffed by one part-time administrative employee, seven part-time firefighters and approximately 20 volunteers.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the DeSoto Parish Fire Protection District No. 2 have been prepared in conformity with governmental accounting principles generally accepted (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basis financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Governmental Audit Guide*.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components; assets, deferred outflows of resources, liabilities and deferred inflows of resources. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 63 does not have any impact on the Fire District's financial statements, other than to change the name of the Statement of Net Assets to Statement of Position.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 properly classifies and recognizes certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 although the Fire District elected to early implement statement 65 in calendar year 2012. The adoption of GASB 65 added deferred inflows of resources to the governmental fund balance sheet.

The significant accounting policies established in GAAP and used by the DeSoto Parish Fire Protection District No. 2 are discussed below.

#### A. REPORTING ENTITY

The accompanying financial statements present the Fire District's funds and activities. As required by GAAP, these financial statements present the Fire District as a component unit of the DeSoto Parish Police Jury. Based on the criteria listed below, the Police Jury is considered a primary government.

A primary government is financially accountable for an organization if (a) it appoints a voting majority of the organization's governing board; (b) it is able to impose its will on the organization; or (c) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based upon these criteria, the Fire District is considered to be a component unit of the DeSoto Parish Police Jury and is disclosed as such in the Police Jury's financial statements.

There are no component units included in the accompanying financial statements.

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. BASIS OF PRESENTATION

The DeSoto Parish Fire Protection District No. 2's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

##### **Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the fund of the reporting entity, which is considered to be a governmental activity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Fire District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### **Fund Financial Statements**

The accounts of the Fire District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The major governmental fund of the Fire District is described below:

General Fund. The General Fund, as provided by Louisiana Revised Statute 47:1906 is the primary operating fund of the Fire District and is used to account for the operations of the Fire District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Fire District's policy,

#### C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues, expenditures, expenses, and transfers—and assets, deferred outflows of resources, liabilities, and deferred inflows of resources—are recognized in the accounts and reported in the financial statements.

##### **Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets and liabilities (whether current or non-current) associated with its activities are reported. Government-wide fund equity is classified as net position.

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

### Keatchie/Shiloh/Gloster, Louisiana

#### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2012

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Measurement Focus (continued)

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on its balance sheet. The statement of revenues, expenditures, and changes in fund balance reports sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of available spendable financial resources during a given period. This approach is then reconciled, through adjustment, to a government-wide view of the operations.

##### Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are classified by source and expenditures are classified by function and character. Expenditures (including capital outlays) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. The governmental funds use the following practices in recording revenues and expenditures:

*Revenues.* Ad Valorem (property) taxes and parcel fees are recognized in the year in which the taxes are assessed or billed. Ad valorem taxes are assessed on a calendar year basis, attach as an enforceable lien, and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Intergovernmental revenues and grants are recognized when the Fire District is entitled to funds. Interest income on deposits are recorded monthly when the interest is earned and credited to the account.

*Expenditures.* Salaries are recorded when employee services are provided. Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased. Substantially all other expenditures are recognized when the related fund liability is incurred.

#### D. ASSETS, LIABILITIES AND EQUITY

##### Cash and interest-bearing deposits

Cash and cash equivalents include amounts in demand accounts, savings accounts, and certificates of deposits with 90-day or less maturity term at time of purchase. Under state law, the Fire District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Fire District may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

##### Prepaid Expenses

Payments made to vendors for services that will benefit future accounting periods beyond December 31, 2012, are recorded as prepaid expenses.

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2012

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Accounts Receivable

Major receivables for the governmental activities include ad valorem taxes, state revenue sharing, and parcel fees. The Fire District uses the allowance method to account for bad debts for parcel fees. Under this method, an estimate is made of the expected bad debts included in the year-end receivables. The provision is recorded as a decrease to the current revenue with a corresponding increase to the allowance for doubtful accounts. The Fire District feels that at this time there is no need for an allowance for doubtful accounts for uncollectible ad valorem tax receivables. Accounts receivable are reported in the financial statements net of the allowance account.

##### Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Fire District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	30 years
Firefighting equipment	5-10 years
Fire trucks	7-15 years
Furniture and fixtures	5 years

##### Equity Classifications

###### Net Position

The Fire District classifies net position in the government-wide financial statements, as follows:

- a. Net investment in capital assets – Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the District's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
- c. Unrestricted net position – Consists of all other net position that do not meet the definition of the above two components and is available for general use by the Fire District.

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

Keatchie/Shiloh/Gloster, Louisiana

### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2012

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Fund Balances

In accordance with GASB 54, the Fire District classifies fund balances in governmental funds as follows:

- **Nonspendable-** amounts that are not in spendable form (such as prepaid expenses) or are legally or contractually required to be maintained intact,
- **Restricted-** amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government), through constitutional provisions, or by enabling legislation,
- **Committed-** amounts constrained to specific purposes by the Fire District itself, using its highest level of decision making authority, to be reported as committed, amounts cannot be used for any other purpose unless the Fire District takes the same highest level action to remove or change the constraint,
- **Assigned-** amounts the Fire District intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body, to which the governing body delegates the authority,
- **Unassigned-** amounts that are available for any purpose, positive amounts are reported only in the general fund.

The Fire District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

##### F. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### 2. CASH AND INTEREST-BEARING DEPOSITS

At December 31, 2012, the Fire District has cash and cash equivalents totaling \$139,947 (book balance). Cash and cash equivalents are stated at cost, which approximates market.

The cash of the DeSoto Parish Fire Protection District No. 2 is subject to the following risk:

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement of the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Fire District that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Fire District's name.

At December 31, 2012, the Fire District has \$151,314 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance at each of two individual banks.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2****Keatchie/Shiloh/Gloster, Louisiana****NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended December 31, 2012

**3. ACCOUNTS RECEIVABLE**

The following is a summary of receivables at December 31, 2012:

Ad valorem taxes	\$	686,225
Parcel fees, net		30,218
Auxiliary		2,243
	\$	<u>718,686</u>

**4. CAPITAL ASSETS**

Capital asset balances and activity for the year ended December 31, 2012 are as follows:

Governmental Activities	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2011
Capital assets not being depreciated				
Land	\$ 28,972	\$ -	\$ -	\$ 28,972
Capital assets being depreciated				
Vehicles	904,550	39,852	-	944,402
Buildings	237,567	616,147	-	853,714
Firefighting Equipment	156,978	7,650	-	164,628
Furniture & Fixtures	6,898	1,119	-	8,017
Office Equipment	1,676	-	-	1,676
Total	<u>1,307,669</u>	<u>664,768</u>	<u>-</u>	<u>1,972,437</u>
Less accumulated depreciation				
Vehicles	\$ 311,065	\$ 76,233	\$ -	\$ 387,298
Buildings	44,239	10,911	-	55,150
Firefighting Equipment	80,324	17,180	-	97,504
Furniture & Fixtures	4,649	266	-	4,915
Office Equipment	1,173	335	-	1,508
Total	<u>441,450</u>	<u>104,925</u>	<u>-</u>	<u>546,375</u>
Capital assets, net	<u>\$ 895,191</u>	<u>\$ 559,843</u>	<u>\$ -</u>	<u>\$ 1,455,034</u>

Depreciation expense of \$104,925 was charged to the public safety function.

**5. LEVIED TAXES****Ad Valorem Taxes**

The Fire District levies taxes on real and business property located within the boundaries of the Fire District. Property taxes are levied by the Fire District on property values assessed by the DeSoto Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The DeSoto Parish Sheriff's office bills and collects property taxes for the Fire District. Collections are remitted to the Fire District monthly. The Fire District recognizes property tax revenues when levied.

The property tax calendar is as follows:

Assessment date	January 1, 2012
Levy date	June 30, 2012
Tax bills mailed	October 15, 2012
Total taxes are due	December 31, 2012
Penalties & interest added	January 31, 2013
Tax sale	May 15, 2013

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

### Keatchie/Shiloh/Gloster, Louisiana

#### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2012

#### 5. LEVIED TAXES (continued)

The Fire District has authorized and levied an 8.05 ad valorem tax millage for 2012. The resolution assessing the taxes was approved by the district voters November 5, 2002 effective January, 2004 and with the year 2013. The assessment is to cover the cost of the purchase of fire protection equipment and the maintenance and operation of fire protection facilities and equipment, and for obtaining water for fire protection purposes.

Ad valorem taxes are recorded in the year the taxes are assessed. The taxes are normally collected in December of the current year and January and February of the ensuing year. Total assessed value in the Fire District was \$94,191,478 in 2012. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was a total of \$3,533,951 in 2012. Total of ad valorem tax revenues recognized in 2012 by the Fire District was \$729,681.

The following are the principal taxpayers for the Fire District (2012 amounts):

	TYPE OF BUSINESS	ASSESSED VALUATION	% OF TOTAL ASSESSED VALUATION	AD VALOREM TAX REVENUE FOR FIRE DISTRICT
El Paso E&P Company, LP	Oil & Gas	22,032,291	24.30%	177,333
ETC Tiger Pipeline, LLC	Oil & Gas	13,188,680	14.55%	106,153
Exco Production Co., LP	Oil & Gas	8,860,916	9.77%	71,319
Centerpoint Energy	Oil & Gas	6,507,005	7.18%	52,373
Gulf South Pipeline Co., LP	Oil & Gas	6,795,920	7.50%	54,699
Total		<u>57,384,812</u>	<u>63.30%</u>	<u>461,877</u>

#### Parcel fees

As per Louisiana R.S. 40:1502, DeSoto Parish Fire Protection District No. 2 annually levies a service charge of \$35 to persons owning property located within its boundaries. The resolution assessing the service charges was approved by the district voters November 5, 2002, and effective January, 2004, to continue for ten years through December, 2014. The assessment is to cover the cost of the purchase of fire protection equipment and the maintenance and operation of fire protection facilities and equipment, and for obtaining water for fire protection purposes.

The assessment calendar:

Assessment date	January 1, 2012
Levy date	June 30, 2012
Bills mailed	October 1, 2012
Total service charge due	December 31, 2012
Lien date	not applicable

The Fire District assessed \$30,680 in service charges in 2012 and recognized \$24,632 in revenue.

The service charge receivables at December 31, 2012, are as follows:

Service charge (parcel) fees receivable	\$ 96,731
Allowance for bad debts	(66,514)
Parcel fees receivable	<u>\$ 30,218</u>

## DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2

### Keatchie/Shiloh/Gloster, Louisiana

#### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2012

#### **7. LONG-TERM DEBT**

The Fire District issued \$318,000 in five-year Certificates of Indebtedness dated April 22, 2009, at an interest rate of 4.05 percent to finance the purchase of a pumper truck. The following is a summary of long-term debt transactions for the year ended December 31, 2012.

Long-term debt payable at December 31, 2011	\$ 86,682
New debt issued	-
Less, payments made during the year	(66,682)
Total debt payable	20,000
Due within one year	(10,000)
Long-term debt payable at December 31, 2012	\$ 10,000

Maturities of the certificates of indebtedness are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 20,000	\$ -

#### **8. DEFERRED INFLOWS OF RESOURCES**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Fire District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in the category. Accordingly, the item, unavailable ad valorem tax revenue, is reported only in the governmental funds balance sheet.

#### **9. RISK MANAGEMENT**

The Fire District is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of asset and errors and omissions. To handle some of the risk, the Fire District maintains surety bond coverage. No settled claims from these risks have exceeded insurance coverage in the last three years. There were no significant changes to insurance coverage during the year ended December 31, 2012.

#### **10. LITIGATION**

There is no litigation pending against the Fire District, at December 31, 2012, nor is it aware of any unasserted claims.

#### **11. RELATED PARTY TRANSACTIONS**

FASB 57 requires the disclosure of the description of the relationship, the transactions, the dollar amount of the transactions, and any amounts due to or from that result from related party transactions. There were no related party transactions.

#### **12. COMPENSATION PAID TO BOARD MEMBERS**

The members of the Board of Commissioners of the Fire District receive no compensation for their services.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**

**Keatchie/Shiloh/Gloster, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**

**As of and for the Year Ended December 31, 2012**

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**13. RETIREMENT COMMITMENTS**

The Fire District had nine employees who are members of the Federal Social Security System. The Fire District and its employee contribute a percentage of the employee's salary to the System (4.2% by the employee). The Fire District's contribution was \$1,528 for the year ended December 31, 2012.

**14. SUBSEQUENT EVENTS**

Management has evaluated events through June 26, 2013, which is the date the financial statements were available. There is one subsequent event that requires disclosure. The Fire District paid off all debt on February 12, 2013.

## REQUIRED SUPPLEMENTAL INFORMATION (PART II)

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2****Keatchie/Shiloh/Gloster, Louisiana****BUDGETARY COMPARISON SCHEDULE - GENERAL FUND****For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Ad valorem taxes	\$ 553,847	\$ 553,847	\$ 691,093	\$ 137,246
Parcel fees	25,500	25,500	24,632	(868)
Intergovernmental revenue- state funds				-
Fire insurance rebate	8,000	8,000	7,555	(445)
State revenue sharing	7,000	7,000	2,869	(4,131)
Oil & gas royalties	-	2,500	1,346	(1,154)
Other revenues	-	-	-	-
Interest income	2,000	2,000	1,219	(781)
Total Revenues	<u>596,347</u>	<u>598,847</u>	<u>728,714</u>	<u>129,867</u>
<b>Expenditures</b>				
Current:				
Public safety-fire	87,000	115,000	106,888	8,112
General government	21,700	43,500	40,634	2,866
Capital outlays	700,000	680,000	664,768	15,232
Debt service:				-
Principal payments	68,800	68,800	66,682	2,118
Total Expenditures	<u>877,500</u>	<u>907,300</u>	<u>878,972</u>	<u>28,328</u>
Net Change in Fund Balance	(281,153)	(308,453)	(150,257)	(158,196)
Fund balance, beginning of year	<u>908,480</u>	<u>908,480</u>	<u>908,480</u>	<u>-</u>
Fund balance, end of year	<u>\$ 627,327</u>	<u>\$ 600,027</u>	<u>\$ 758,223</u>	<u>\$ (158,196)</u>

The accompanying notes are an integral part of the financial statements.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**Year Ended December 31, 2012**

**Budgetary Information**

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for most governmental funds are adopted annually on the cash basis of accounting. The budget comparison schedules present the original adopted budget and the final amended budget. The Fire District amended their budget once during the year.

The Fire District is required by state law to adopt an annual budget. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

A proposed budget is prepared by the governing board in November and made available for public inspection no later than 15 days prior to December 31, of each year. In open meeting prior to December 31, the budget is adopted and becomes part of the official minutes of the Fire District. The proposed budget for the General Fund is prepared on the modified accrual basis of accounting.

Once a budget is approved, it can be amended by approval of a majority of the Board. Amendments are presented at a regular open meeting for Board approval. The budget was amended once during the year ending December, 31, 2012.

For the year ended December 31, 2012, actual revenues exceeded budgeted amounts by \$130,734 or 18% and expenditures were less than appropriations in the General Fund by \$28,331 or 3%.

The Fire District is in compliance with the Local Government Budget Act R.S. 39:1301-1316 and the budget requirements of R.S. 39-1331-1342.

## OTHER REPORTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
And Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

DeSoto Parish Fire Protection District No. 2  
Keatchie/Shiloh/Gloster, Louisiana

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities and the major fund of the DeSoto Parish Fire Protection District No. 2 as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the DeSoto Parish Fire Protection District No. 2's basic financial statements and have issued my report thereon dated June 26, 2013.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered the DeSoto Parish Fire Protection District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DeSoto Parish Fire Protection District No. 2's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Fire District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses and are listed as 2012-01 and 2012-02.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the DeSoto Parish Fire Protection District No. 2's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **DeSoto Parish Fire Protection District No. 2's Responses to Findings**

DeSoto Parish Fire Protection District No. 2's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. DeSoto Parish Fire Protection District No. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

This report is intended for the information and use of DeSoto Parish Fire Protection District No. 2 Commissioners and management, and the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is a public document and its distribution is not limited.

A handwritten signature in blue ink that reads "Samuel A. Allen, CPA". The signature is fluid and cursive.

Mansfield, Louisiana  
June 26, 2013

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**  
**Schedule of Findings and Responses**  
**For the Year ended December 31, 2012**

**Part I. Summary of Auditor's Results**

**INDEPENDENT AUDITOR'S REPORT:**

I have audited the basic financial statements of the DeSoto Parish Fire Protection District No. 2 as of and for the year ended December 31, 2012, and have issued my report thereon dated June 26, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2012, resulted in an unqualified opinion.

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER THE FINANCIAL REPORTING:**

**Internal Control**

Significant Deficiency

☐ Yes

☒ No

Material Weaknesses

☒ Yes

☐ No

**Compliance**

Compliance Material to Financial Statements

☐ Yes

☒ No

A management letter was not issued.

**FEDERAL AWARDS**

Not applicable

**Part II. Findings relating to the Financial Statements which are required to be Reported under *Government Auditing Standards*.**

**FINDINGS RELATED TO INTERNAL CONTROL**

**2012-01.** Inadequate design of internal control over financial statement preparation.

**Criteria:** In the past, auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, *Statements on Auditing Standards* 112 expands management's responsibility to ensure the propriety and completeness of the financial statements and related footnotes.

**Finding:** The Desoto Parish Fire Protection District No. 2's staff responsible for preparation of the financial statements and related footnote disclosure in accordance with generally accepted accounting principles (GAAP) lacks the resources and/or knowledge necessary to internally complete the reporting requirements.

**Recommendation:** The Fire District should either: 1) obtain the resources and/or knowledge necessary to internally prepare or review the auditor's preparation of the financial statements and related footnote disclosures in accordance with GAAP, or 2) determine if the cost of 1) overrides the benefit of correcting this control deficiency.

**Management's Response:** Based upon the cost versus benefit of obtaining the necessary resources and/or training, management has determined it is not cost effective and in our best interest to continue to outsource this task to the independent auditor, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**  
**Schedule of Findings and Responses**  
**For the Year ended December 31, 2012**

**2012-02. Inadequate segregation of duties.**

**Criteria:** Good internal control requires that different personnel be assigned to authorize transactions, record transactions, and maintain custody of assets.

**Finding:** The Fire District has only one administrative employee and does not have adequate segregation of functions or duties within the accounting system. Because of this, monitoring controls that could be used to detect errors and/or inappropriate actions cannot be performed effectively.

**Recommendation:** The duties should be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating initializing transactions from general ledger posting and maintenance; 3) separating monitoring responsibility from record-keeping. Where these segregations are not practical, I recommend close supervision and review.

**Management's response:** At this time we have determined that it is not cost effective to attempt to achieve complete segregation of duties within the accounting function. The Board will continue to review the financial information monthly.

**FINDINGS RELATED TO COMPLIANCE**

None.

**DESOTO PARISH FIRE PROTECTION DISTRICT NO. 2**  
**Keatchie/Shiloh/Gloster, Louisiana**  
**Schedule of Prior Year Findings**  
**For the Year ended December 31, 2012**

2011-01 Financial Statement preparation. Unresolved. See Finding 2012-01

2011-02 Segregation of duties. Unresolved see Finding 2012-02